

## 1099-K Reporting:

What Every Online Seller  
Needs to Know



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### Overview

Starting with the 2024 [tax](#) year, online selling platforms began sending 1099-K forms to many more users. You don't need to be running a full-blown business to get one anymore. Even casual sellers might find one in their mailbox this year.

And here's the thing: the IRS gets a copy too. So if you're not prepared, you could end up in a tax headache you never saw coming.

Let's walk through the details so you can avoid all that.

### Introduction

What Changed With the 1099-K in 2024 and 2025?

Let's rewind a bit.

Until recently, the rule was:

You only got a 1099-K if you made \$20,000 and had 200+ transactions through a third-party payment network.

That changed starting with the 2024 tax year, following IRS announcements made in late 2023 and 2024.

- For the 2024 tax year, the threshold dropped to \$5,000 in gross payments with no minimum transaction requirement.
- For 2025, it will drop further to \$2,500, again with no minimum transaction requirement.
- And starting in 2026, the threshold will be \$600 with no transaction minimum.

That means way more people will be affected, including folks who don't think of themselves as "sellers" at all.

Sold a vintage guitar from your garage? You might get one.

Flipped a few items on eBay for fun? That too.

Accepted freelance payments on PayPal? You're in.

## Why Does the 1099-K Matter So Much?

Because the IRS sees it.

When you receive a 1099-K, the IRS gets a copy, which means they're expecting to see that income on your tax return—even if you think it shouldn't count as taxable.

This creates a big problem if:

- You forgot to report it.
- You think it's not income (but don't explain that).
- You can't back up your records.

That's when you get flagged. And once that happens, you're dealing with notices, penalties, and extra paperwork—none of which are fun.

Bottom line: the 1099-K doesn't mean you owe tax, but it does mean you need to be ready to explain what's what.

## Do You Have to Pay Tax on Everything Listed?

Not always.

Here's what most people don't realize:

The 1099-K shows gross payments before fees, returns, shipping, or costs.

So if you sold a used laptop for \$400 (but you bought it years ago for \$1,000), it still shows up on the form... even though it's not taxable. That's why tracking your original purchase price matters so much now.

But if you're selling for profit—whether it's digital products, vintage clothes, or freelance services—then yes, that counts as income. You'll need to report it and deduct your expenses to avoid overpaying.

The tricky part? The IRS doesn't know what's taxable and what's not. That's on you to clarify.

## What Should You Do? (Starting Now)

If this all sounds stressful, here's the good news:

You don't have to wait until tax season to get organized.

Here's what to do starting today:

- **Separate business from personal:** If you're using one PayPal account for everything—client payments, online sales, splitting dinner with friends—it's time to open a second one just for business.
- **Track every transaction:** Use accounting tools (even a simple spreadsheet) to log what you sold, for how much, and what you originally paid.
- **Save your receipts:** For personal items, you'll want to prove you sold them at a loss if that's the case. That could keep you from paying tax you don't actually owe.
- **Use software that syncs:** Use [accounting software](#) like BDGAGSS, QuickBooks, Wave, FreshBooks, or others that connect to Etsy, Shopify, or PayPal, can save you hours and reduce risk.

## What If You Get a 1099-K By Mistake?

This happens more often than you'd think.

Sometimes platforms issue 1099-Ks for things that aren't income, like reimbursing a friend for concert tickets or splitting rent. If that's the case, you can:

- Contact the platform and ask for a corrected form.
- Include a written explanation with your tax return.
- Keep documentation showing what the payment was for.

Being proactive is your best defense. The more clarity you can offer up front, the less likely you are to hear from the IRS later.

## Conclusion

The phased 1099-K threshold updates announced by the IRS starting in late 2023 and implemented in 2024 and 2025 aren't just technical tax changes—they're a wake-up call for online sellers everywhere.

Even if you don't think of yourself as a business owner, the IRS might treat you like one. That means it's time to take your records, tracking, and reporting seriously.

The sooner you adapt, the smoother your next tax season will be. No surprises. No scrambling. Just peace of mind.

Stay ahead of it now, and you'll thank yourself later.

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